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Continuity and Change in Contemporary Indian Federalism

Chanchal Kumar Sharma and Wilfried Swenden

1. Introduction: the Dynamics of Centre-State Relations—A Research Agenda

This special issue seeks to improve our understanding of the dynamics of center-state relations in contemporary India on the basis of a number of case-studies which largely adopt a longitudinal and/or comparative theoretical approach. Three fundamental research questions warrant a detailed analysis of the emerging dynamics of federal governance in India:

First, what has been the contribution of Indian style federalism to stabilizing and consolidating its developing and multi-ethnic democracy?¹ We argue that understanding the role of federalism and consociational arrangements in the survival of the world's largest functioning democracy is critical because the voluminous literature on federalism offers limited guidance on how to design and implement successful democratic federalism.² Can a study of Indian federalism add to the long-running debate and a wide range of contending propositions over the purported empirical connection between democratic consolidation in a developing country and levels of ethnic fragmentation? ³ Is there an 'Indian' model of federalism, and if so, might this model be partly

¹ Katharine Adeney, *Federalism and Ethnic Conflict Regulation in India and Pakistan* (Basingstoke: Palgrave-Macmillan, 2007); Harihar Battacharyya, *Federalism in Asia. India, Pakistan and Malaysia*. (London: Routledge, 2010); Alfred Stepan, Juan J. Linz and Yogendra Yadav, *Crafting State-Nations. India and Other Multinational Democracies*, (Baltimore: Johns Hopkins University Press, 2011) ; Wilfried Swenden, "Centre-State Bargaining and Territorial Accommodation: Evidence from India," *Swiss Political Science Review*, Vol.22, No. 4, (2016). 491-515 and Varshney, Ashutosh , "How has Indian federalism done" in *Studies in Indian Politics*, Vol. 1, No.1, (2013), 43-63.

² Mihael Filippov, and Olga Shetsova, "Federalism, Democracy and Democratization" in Arthur Benz and Jorg Broschek, eds., *Federal Dynamics. Continuity, Change & the Varieties of Federalism* (Oxford: Oxford University Press, 2013), 167-184; but Jenna Bednar, *The Robust Federation. Principles of Design* (Cambridge: Cambridge University Press).

³ Some scholars have argued that democracy cannot be sustained in states with low levels of socio-economic development (see Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy." *American Political Science Review* Vol. 53, No.1, (1959), pp. 69-105; Larry Diamond, "Economic Development Reconsidered." *American Behavioral Scientist* Vol. 35, No 4-5, (1992) pp. 450-99) and high levels of ethnic fragmentation (see, G. B. Powell, *Contemporary Democracies: Participation, Stability and Violence*. Cambridge: Harvard University Press, 1982).; or that high levels of economic growth cannot be achieved by a developing country which is also democratic (see W Galenson, *Labor and Economic Development*. New York: Wiley-Blackwell 1959 and Samuel P. Huntington, and J. Dominguez. "Political Development." In F. I. Greenstein and N. W. Polsby, eds., *Handbook of Political Science, Vol 3, Macropolitical Theory* (Reading, MA: Addison-Wesley, 1975) and has high levels of ethnic fractionalization (see, B. Easterly, and R. Levine. "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* Vol. 12, No 4, 1997, pp 1203-50 and Alesina, Alberto. et al. . "Fractionalization." *Journal of Economic Growth* Vol. 8, No 2, 2003, pp 155-94.). In contrast, a different set of authors have argued that ethnic diversity neither increases the risk of democratic failure nor reduces economic growth (see, Paul Collier, "Implications of Ethnic Diversity." *Economic Policy*, Vol. 16, No32, (2001), pp 127-66.); and that democratization comes at no discernible cost in terms of economic growth (see, D. Rodrik, and R. Wacziarg. "Do Democratic Transitions Produce Bad Economic Outcomes?" *American Economic Review*, Vol. 95, No, 2, 2005, pp.: 50-55).

responsible for why India has sustained democracy with low levels of economic development and high levels of ethno-linguistic fragmentation?⁴

Our second research question seeks to explore how the delicate balance between centralization and state autonomy is being reconfigured in the context of the ongoing process of economic reforms since 1991 and the entrenchment of coalition government at the center since 1996, presaged by the breakdown of the one-dominant party system in 1989. The rise of regional parties to key positions in the national governing coalition on the one hand and the increasing salience of states in boosting national economic growth while charting their own paths of development on the other, prompts us to hypothesize that, in the new politico-economic environment, states have acquired greater bargaining power and can determine the outcomes of intergovernmental interactions. Yet, has this really been the case, or does the reality provide a more mixed and nuanced picture? After, all, change is often slow to materialize and path-dependent. Changing the formal structure of Indian federalism may have been difficult, given that altering the Indian constitution requires super-legislative majorities which are harder to mobilize in a fragmented party system than in a one party dominant one. Economic liberalization and deregulation have been incremental processes too as they ran into occasional resistance from small retailers, agricultural producers or large industrial companies which profited for long from the license-permit raj. Furthermore, it is not a foregone conclusion that states have benefited uniformly from the 'pluralization' of the Indian party system and/or the liberalization of the economy. Some states may have not gained (much) representation in the central government in the era of coalition government whereas relatively resource-poor and underdeveloped states may have seen a reduction in intergovernmental solidarity payments whilst facing stringent financial rules to satisfy international credit markets.

Our third inquiry attempts to situate the debate on the impact of market transition and democratic expansion on the internal workings of Indian federalism in the new political context when, for the first time since 1989, one party has managed to capture an overall majority at the center. Indeed, the Hindu nationalist BJP (Bharatiya Janata Party) gained an overall parliamentary majority in the 2014 general elections with about 31 percent of the polity-wide vote. Although the party seeks to unite the Indian electorate around the majoritarian notion of a Hindu nation, its combative Prime Minister and former Chief Minister Narendra Modi has been touting the idea of cooperative federalism. Our special issue provides a first cautious assessment of the institutional and policy shifts that have occurred since 2014, and seeks to explain how the return of one-party majority government has had at once a centralizing (in political terms) and decentralizing (in economic terms) effect on the functioning of the Indian multi-level polity. To what extent does an ideological commitment towards a majoritarian strong Indian state undermine the seemingly contradictory commitment towards a more co-operative and decentralized federation?

To consider the dynamics of centre-state relations in this new party political and economic environment, this special issue proposes a set of thoroughly executed and theoretically grounded case studies of Indian federalism along various dimensions such as federal institutions, territorial finance, intergovernmental interactions, public policy, state and nation-building and ethnic conflict

⁴ Atul Kohli points out that "the success of democracy in India defies many prevailing theories that stipulate preconditions for democracy...Indian democracy is thus best understood by focusing, not mainly on its socio-economic determinants, but on how power distribution in that society is negotiated and renegotiated." (Atul Kohli, *The Success of India's Democracy* (Cambridge: Cambridge University Press 2001) p. 1.

regulation. We opt for case-studies, because federalism is much about context.⁵ Therefore, case studies of various dimensions of federal practice in India can yield better results than cross-country statistical comparisons. Furthermore, we recognize that party system change and liberalization were not sudden developments. For instance, state elections had thrown up durable alternative options to Congress much earlier than 1996, whereas a pro-liberal discourse had been gradually gaining strength since 1975 and it was Rajiv Gandhi's bold liberalization attempt in 1985 that led to a considerable expansion of pro-liberal constituencies.⁶ Therefore, although our focus is on the period since 1996, the meaning of 'continuity and change' in this period cannot be properly understood without harking back to the period before. Indeed, institutions typically do not change rapidly; they are "sticky, resistant to change, and generally only change in "path-dependent" ways"⁷ Furthermore paradigmatic changes (party system change and liberalization) may not necessarily be linked to critical junctures alone, but are often preceded by processes of more incremental or gradual change.⁸

2. Multiple Dimensions of India's Federal Landscape: An Overview of the Contributions

As alluded to above, the dynamics of Indian federalism underwent significant change in the past two decades due to the transformation of the Indian party system and economic liberalization. This section provides an overview of the major issues. The first of these, 'the pluralization of the party system' is not explained as such, but the various contributors to this special issue reflect on its implications for the dynamics of center-state relations in India.

Pluralization of the Party System

The significance of the party system for understanding the dynamics of federalism was emphasized a long time ago by William Riker. For Riker the structure of political parties (by which he meant the extent to which a party *system* is nationalized or decentralized) parallels the structure of federalism and 'one can measure federalism by measuring parties' (or rather its party system). When parties are fully centralized, so is federalism. When parties are somewhat decentralized, federalism is only partially centralized.⁹ India's party system has undergone significant change, initially with the rise of state-based or non-polity-wide parties playing a more significant role in state politics; but especially since 1996 also with a more durable role in national politics, given that all

⁵ George Anderson, *Federalism: An Introduction*. (Oxford: Oxford University Press, 2008) and Jan Erk, and Lawrence, Anderson, 'The Paradox of Federalism: Does Self-Rule Accommodate or Exacerbate Ethnic Divisions', *Regional and Federal Studies*, Vol. 19, No. 2, (2009) 191-202

⁶ Chanchal Kumar Sharma, "A Discursive Dominance Theory of Economic Reform Sustainability: The Case of India." *India Review*, Vol 10, No 2, pp. 126-84

⁷ John L. Campbell, "Institutional Reproduction and Change." in G. Morgan, ed. *The Oxford Handbook of Comparative Institutional Analysis* (Oxford: Oxford University Press, 2010), pp 87-116.

⁸ James Mahoney, J., and Kathleen . A. Thelen. 2010. "Theory of Gradual Institutional Change." In James Mahoney and Kathleen. A. Thelen, eds., *Explaining Institutional Change - Ambiguity, Agency and Power*, (New York: Cambridge University Press, 2010), pp 1-37.

⁹ William H. Riker, "Federalism," in Fred I. Greenstein and Nelson Polsby. eds., *The Handbook of Political Science, Volume V, Government Institutions and Processes*, eds. (Reading, MA: Addison Wesley, 1975), p. 137.

federal governments between 1996 and 2014 were (minority) coalition governments¹⁰, in which some state or non-polity-wide-parties played their part. Although the BJP has an overall majority in the federal parliament since May 2014, it would not have been able to command this status without pre-electoral seat-sharing arrangements with at least some of the state parties, a few of which were awarded ministerial seats in return.

Scholars have focused extensively on what triggered the transformation of the Indian party system from a one party dominant system into a fragmented multi-level party system. In part, they point at the gradual de-institutionalization of the Congress party and its inability to attract support across a wide range of social groups.¹¹ However, the demise of the one dominant party system is not the result of Congress's de-institutionalization alone. States displaying strong sub-national identities (such as Tamil Nadu, the North Eastern states, Jammu and Kashmir and Punjab for instance) featured state-specific parties even before India gained independence. Following independence, universal suffrage, growing literacy and agricultural advances eventually led to the upliftment of lower caste groups who demanded direct political representation through the creation of specific lower caste parties, often with a state-specific base instead. They no longer accepted the 'tokenist' approach which characterized much of Nehru's India. The churning of lower caste groups also triggered a rise of Hindu nationalism (largely led by upper-caste groups); fueling the growth of the BJP¹²

What has been understood much less clearly is how these party systemic changes have been linked with federalism. If one can 'measure federalism' by measuring 'India's party system', as Riker suggests, then surely Indian federalism should have become much more decentralized as a result of the fragmentation of its party system.¹³ Although India purposefully adopted what Jennings called "a federation with strong centralizing tendencies"¹⁴ and functioned as a highly centralized federation for approximately four decades, with the rise of regional or state parties, and eventually, their entry into central coalition government one would expect the Indian state to have moved into a more decentralized direction. The various contributions to this special issue show that the pluralization of the Indian party system did not necessarily produce a decentralization of the Indian state in a formal sense: constitutional amendments to this effect became harder to implement in a context of federal coalition government in which the key polity-wide party (Congress or the BJP) did not endorse a more federalized constitutional set-up or the state-based parties expressed different regional priorities, reflecting their distinctive electoral base and resource strength. However, traces of the decentralization of the Indian polity in practice can be found, for instance, in the less frequent use of

¹⁰ E. Sridharan, "The Party System," in Niraja Gopal Jayal and Pratap Bhanu Mehta, eds., *Oxford Companion to Politics in India*, (New Delhi: Oxford University Press, 2010), pp 117–35; E. Sridharan, .. "Why Are Multi-Party Minority Governments Viable in India? Theory and Comparison." *Commonwealth & Comparative Politics* Vol. 50, No3, (2012), pp. 314–43.

¹¹ B.D. Dua, "Federalism or Patrimonialism: The Making and Unmaking of Chief Ministers in India." *Asian Survey* Vol 25, No8, (1995), pp: 793–804; Sudipta Kaviraj, "Indira Gandhi and Indian Politics," *Economic and Political Weekly*, Vol.21, No38-39, (1986), pp 1697–1708; Stanley Kochanek, "Mrs. Gandhi's Pyramid: The New Congress," in H.C. Hart, ed., *Indira Gandhi's India*, (Boulder, CO: Westview Press, 1976)

¹² Mahendra P. Singh and Douglas. Verney. "Challenges to India's Centralized Parliamentary Federalism." *Publius: The Journal of Federalism*, Vol. 33, No 4, pp. :1-20.

¹³ Lawrence Saez, "The 1999 General Elections in India." *Electoral Studies*, vol. 20, No1, (2001), pp. 164–69.

¹⁴ Ivor Jennings, *Some Characteristics of the Indian Constitution* (Madras: Oxford University Press, 1953)

President's Rule, the rising scope for policy divergence in welfare policy, the assertion of some Chief Ministers in para-diplomacy or the diminishing impact of discretionary grants in the total pool of grants to the states. The lack of a more solid or formalized basis for decentralization in India implied that some of these decentralizing tendencies can be undone more easily following the return of majority government in 2014.

Political Economy Insights into Intergovernmental Interactions

Decentralized spending with centralized financing through grants, from a public finance perspective, serves to help central governments implement redistributive programmes. The presumption in this perspective is that governments act in their constituents' interests. However, from a public choice perspective, government is a self-interested, Leviathan-like entity, and intergovernmental grants create perverse incentives for governments to increase their size beyond the necessary, producing wastage. A plethora of empirical literature reveals that the party in power allocates grants not (only) to maximize welfare gains, but (also and sometimes especially) to maximize partisan gains. The empirical contribution by Chanchal Kumar Sharma can be situated within this strand of literature.

He demonstrates how party system change has influenced the distribution of discretionary grants from the center to the states. Here we see a notable change in center-state dynamics over time, even if there was very little change in the formal constitutional framework on the basis of which the center has gained authority to disperse such grants. Based on sophisticated multi-level regression models Sharma finds that under Congress party dominance (1972-1989), states ruled by Congress' Chief Ministers received 44 percent higher shares of total discretionary grants and 37 percent higher shares of centrally sponsored schemes (central development schemes) than states ruled by opposition parties. The allocation of central grants to Congress ruled states increases with a decline in the proportion of the state's parliamentary seats controlled by the national ruling party. In other words, central grants here intend to solidify and strengthen Congress support where it is comparatively weak. The arrival of coalition government at the center (analyzed here between 1996 and 2012) generated a more complex picture because the *formateur* (lead party in central government) was required to invent ways to deal with coalition partners and outside supporters, in addition to the opposition parties. Even in this much more complex coalition-setting, affiliated states received disproportionately favorable grant allocations overall. However, the *formateur* party channeled more funds for flagship programs to non-affiliated states, to draw the attention of state voters to the central government's initiatives. By managing the flagship programs well, the central government attempted to boost the image of the Prime Minister's party in these states, while containing the rising influence of regional leaders and state parties.

Many of the discretionary grants which Kumar Sharma discusses in his analysis would have been routed through the Planning Commission. A para-constitutional body, the Planning Commission was set up during the Nehru administration to develop five year economic plans for the country as a whole and within that remit to oversee annual plans for each of the Indian states. In their contribution Wilfried Swenden and Rekha Saxena analyze the effect of the Planning Commission on center-state dynamics in post-independent India. Indian federalism, so they argue, is centralized yet also interdependent by design since the states implement a large set of policies in which the centre legislates. Yet, intergovernmental relations in India have been weakly institutionalized: the Inter-State Council and Rajya Sabha (second chamber) have played at best a limited role in articulating state interests at the center. Although not designed as an intergovernmental body per se, through the

creation of the National Development Council, the Planning Commission was expected to give a voice to the states in the discussion and preparations of the five year plans and in its discretionary grant-making activities to the states more generally. Based on document analysis and semi-structured interviews with some stake holders, Swenden and Saxena show that the Planning Commission provided little systematic input to the states and therefore by a majority of state actors was felt to erode their autonomy. The rise of coalition government and economic liberalization put the Planning Commission under pressure, and as the authors discuss led to periodical adjustments in its internal operation and tasks. Yet, it was the BJP majority government elected in 2014 which scrapped and replaced the institution with the NITI (National Institution for Transforming India) Aayog. The authors consider the implications of this recent institutional change for Indian federalism, more in particular does the NITI genuinely hold the promise of a more 'co-operative' let alone 'collaborative' federalism? They show that the introduction of 'Regional Councils' within the realm of the NITI can increase state involvement in strategic policy matters, but that otherwise, the NITI remains a body subsumed under the central government. Furthermore, they argue that the removal of considerable grant-making authority to the Ministry of Finance could lead to further centralization (though not corroborated by the current – but temporary and partial- practice of extending the Finance Commission grant formulae to a range of erstwhile 'discretionary' Planning grants), whilst an opportunity was missed to integrate the NITI within the Inter-State Council to put the 'shared' rule dimension of Indian federalism on a more solid institutionalized footing.

The effect of party politics on federalism is felt most intensely in those sectors of government which are open to direct party political influence. It follows that the implications of a paradigmatic change from a state-led and planned economy to a more liberalized and open economy can be more easily discerned in those sectors of government which have remained comparatively isolated from party political influence. In her contribution Indira Rajaraman seeks to do so by critically analyzing the continuity and change in Indian fiscal federalism. For one, the interests of states in this matter are not purely driven by party political interests, but reflect material concerns given their variegated levels of financial self-sufficiency or autonomy. Furthermore, the bulk of central grants to the states in India is *not* discretionary in nature, but non-discretionary or statutory and allocated on the basis of the recommendations of the Finance Commission, an independent, temporary and expert-driven body appointed by the President of India. Rajaraman shows that in the short run, economic liberalization put disproportionate stress on the finances of the central government due to lower receipts from customs duty, a shortfall which it only recuperated by its aggressive use of a service tax levy applied to a widening universe of services, instead of what would have been a more sensitive replacement VAT. However, economic liberalization also enabled a gradual transformation which put India's fiscal federal architecture on a stronger footing. Some of these changes constrained the central government and flew from recommendations of the Finance Commission: e.g. the tenth Commission (1995-2000) widened the remit of the divisible pool of tax revenue by incorporating all central tax sources, whilst the fourteenth Commission (2015-20) increased the state share of divisible tax revenue by ten percent. Other changes constrained both the central and state governments, e.g. the capacity to accumulate debt and linked therewith the responsibility of the center and the states not to tolerate fiscal deficits of more than 3 percent of the GDP and GDSP respectively. Although the center oversees levels of state-level borrowing, the process has become less discretionary after 2005, with enactment of fiscal responsibility legislation by the states. Borrowing and debt accumulation constraints follow from economic liberalization as it makes the capacity of the Indian state to raise money from foreign capital markets dependent on its overall credit ratings. Where such changes strengthen regulatory bodies at the expense of the central government (e.g. the envisaged creation of a Public Debt Management Agency), they can empower the Indian states, albeit in an indirect way. At the same time, Rajaraman demonstrates that the replacement of state VAT on goods and the central excise levy with a centrally levied GST (the proceeds of which will be apportioned between the center and the states) has been on the agenda for years. Yet, it is currently blocked as a result of

state opposition, either illustrating a genuine concern among (some) states for losing fiscal autonomy (or at best having to pool it with other states and the federal government in a GST Council), or, especially since the GST can only be introduced by constitutional amendment, reflecting the ability of federal opposition parties to mobilize states for party political ends.

Policy divergence across Indian states

Economic liberalization built on central deregulation and party system fragmentation are likely to generate centrifugal tendencies. With it comes the expectation of more policy divergence across the states. This special issue contains two contributions which examine this issue. In a first contribution Rajeshwari Deshpande, K.K. Kailash and Louise Tillin look at the role of India's states in the making and implementation of social policy. They demonstrate that an initial retreat of social spending by the Indian government following economic liberalization has been offset by accelerated welfare spending as a social insurance strategy against the global financial turmoil in 2008. Higher economic growth under UPA I also increased financial revenue and a conscious decision was taken to divest a larger share of this to centrally sponsored welfare or development schemes. In India's federal system, the states take responsibility for most welfare spending, while the center provides most of the funding (due to its prerogative in tax-raising). Under liberalization (1990-2014) state government expenditures on social policy have risen faster than union expenditures. With the recent (2015) implementation of the Fourteenth Finance Commission's recommendations to increase the states' share of the divisible pool of tax revenue by 10 percent, the scope for policy divergence in welfare spending is set to rise even further, despite the fact that several of the welfare schemes which the states adopt will continue to take the form of centrally sponsored schemes. Analyzing state policy divergence, Deshpande, Kailash and Tillin find commonalities and differences in the way in which Kerala and Tamil Nadu navigated a central health insurance scheme. Congress-ruled Kerala adopted the central scheme, but extended its remit beyond BPL families to lend it a character of universality and also adopted low insurance rates to keep the scheme largely within the public health care sector. On the other hand, Tamil Nadu sidelined the scheme altogether and adopted its own instead, yet like Kerala insisted on a prominent role of the public sector (not by touching the cost of insurance, but by reserving certain treatments for the public sector). This 'universal' approach does not mark the coverage of social security to workers in the informal sector as evidenced by a comparative analysis of Maharashtra and West Bengal. The former adopted a patronage-based approach, built on selective or targeted schemes for different types of informal sector workers. The West Bengal scheme, while more universal was also more partisan, uneven and to some extent underfunded. Deshpande, Kailash and Tillin argue that past legacy, political leadership and political coalitions (the latter to be understood as territorial policy communities bringing together social and political groups in pursuit of common goals) are key in understanding this inter-state policy divergence. Put differently, the provision of social welfare is *not* necessarily more advanced in those states that are economically most affluent (e.g. Maharashtra versus Kerala), social-democratically inclined (West Bengal versus Tamil Nadu) or party politically aligned with the central government of the day (Maharashtra versus Tamil Nadu). Legacies in the form of territorial policy communities are likely to have a stronger influence.

In a second contribution on policy divergence Andrew Wyatt focuses more squarely on the role of state political personalities, namely that of Chief Ministers and their international activities as 'chief diplomats'. Economic liberalization and party political incongruence with the center should have increased the foreign visibility of Chief Ministers. The former because Chief Ministers may seek to profile their state to attract foreign direct investment; the latter because Chief Ministers can use their strong party political base within their home state to criticize the federal government; even in a 'reserved' or exclusively 'central' competence as foreign policy. Chief Ministers can be expected to voice foreign policy matters if an aspect thereof touches directly upon the interests of their states. In this regard it may be noted that eighteen of India's states have land borders with a foreign country

(excluding those states which have a less 'tangible' border with the international waters of the sea), and, given the size of the Indian diaspora, Non-Resident Indians (originating from within a state or union territory) have dispersed across the world. In his analysis Wyatt looks at the foreign policy activity of the Chief Ministers of Andhra Pradesh, Kerala, Tamil Nadu. With the exception of a Congress Chief Minister in Kerala, all Chief Ministers analyzed represent parties with a specific state-based following (although the CPM is a 'national' party, its support is concentrated within a few Indian states. Nonetheless, Wyatt observes strong variations in their para-diplomatic activity. CM Naidu (not dissimilar to Modi as CM of Gujarat) have been very active on the international scene, CM Chandy (Congress-Kerala) only moderately so, whereas Achuthanandan (CPM-Kerala), Karunanidhi (DMK-Tamil Nadu) and Jayalalithaa (AIADMK-Tamil Nadu) have hardly engaged in para-diplomacy. Paradiplomatic engagement is fostered by the need to build up party political credentials at home (Naidu to silence intra-party opposition; Modi following the Godhra events) and to strengthen investment opportunities in a fragile state economy (especially Andhra). Conversely, in Kerala international engagement could thwart the pro-people and pro-poor image of a Communist leader and -even under Congress rule- has been confined primarily to strengthen ties with the state's strong diaspora. In fact in Kerala, 'foreign policy' has been brought into the state administration by creating a 'Non-Resident Keralites' Affairs Department'. Wyatt attributes the near absence of para-diplomatic activity in Tamil Nadu to the relatively secure position of the state's two main party leaders and its ability to provide land and human capital to attract FDI without aggressive promotion. Furthermore, both of the major Tamil parties have benefited from participating in the NDA or UPA-led coalition governments at the center and wielded some foreign policy influence that way (in particular with regard to Sri Lanka). Overall then, the differences in para-diplomatic activity among India's Chief Ministers confirms the observations of Deshpande, Kailash and Tillin that divergence across state actors cannot be explained with reference to party political incongruence in relation to the center alone, but is tied more strongly with factors rooted in the socio-economic context of the state and the dynamics of state party competition.

Ethnic Conflict Management

The final two articles in this special issue focus on the contribution of Indian federalism to ethnic conflict management. Although they do not focus on the role of party political fragmentation or economic liberalization *per se*, the timing is appropriate for such an assessment. Since independence, two main ideological strands have occupied the Indian policy-space: one which emphasizes the nature of India as a compound and multicultural polity and does not perceive territorial, ethnic, religious or linguistic accommodation as a threat to India's territorial integrity and nationhood; and another strand which seeks to unite the Indian state around a Hindu cultural and national identity. The latter strand (primarily associated with the BJP and wider Sangh Parivar today, but historically also present in the Congress) currently preoccupies the central government. Therefore, there is a potential discrepancy between the view of the BJP on federalism as an economic policy device and as an instrument for accommodating multi-ethnic difference. The party can embrace the former where it leads to economic competition and a leaner central government. More state autonomy can also generate policy-learning or the 'sharing of best practices' (and policy diffusion) as shown in the contribution by Deshpande, Kailash and Tillin. The strengthening of a majoritarian, Hindu nationalist ideology at the centre (the roots of which may be partially linked to the destabilizing forces of globalization and liberalization as Blom Hansen suggests¹⁵) could further undermine the centre's *willingness* -and not just its *capacity*- to accommodate ethno-cultural differences through territorial management. Hence, the BJP is expected to be more hostile to

¹⁵ Thomas Blom Hansen, *The Saffron Wave. Democracy and Hindu Nationalism in Modern India*. (Princeton: Princeton University Press, 1999)

accepting asymmetric institutional arrangements or minority ethnic accommodation more in general as this could dilute its Hindu (and Hindi) majoritarian view of the Indian state. The latter is even more pronounced today due to its hegemonic position in the central cabinet and overall parliamentary majority.

Placing India in a comparative perspective Katharine Adeney argues that India's experience with territorial ethnic conflict management has been both a success and a failure. Unlike what has been claimed by a significant strand of the literature, India shows that ethno-federal states *are* workable, provided they take the right form. Territorial accommodation by giving ethnic minority groups a 'state of their own' can enhance their security, *especially* if conceded autonomy concessions by the center are durable (unlike in Kashmir or some of the North Eastern states for much of the last sixty years). Furthermore, self-rule is never enough but must be accompanied by access to central power. The latter has become a more prominent feature (albeit selective) in the era of central coalition government. However, ethno-federalism as a workable strategy, so Adeney argues, is not without its limits either. Sometimes state territories are too heterogeneous, ruling out a clear cut territorial solution. Worse still, sometimes national minorities to whom territory is conceded may rule their state in a majoritarian way. Just as national minorities require (constitutional) protection within the Indian state as a whole, so too must minorities at the state level. In fact, where non-titular groups become too strong, even power-sharing devices may be required, providing access to 'state power'. In their contribution Harihar Bhattacharyya, Kham Khan Suan Hausing and Jhumpa Mukherjee precisely consider this underdeveloped 'shared' rule dimension and the lack of protection of state-based minorities in more detail. They identify this as a weak-spot of India's ethnic management strategy, both in the context of linguistic state reorganization (where despite constitutional guarantees, the protection of state linguistic minorities is dormant), the recent formation of Telangana in 2014 (which reflected a lack of respect for an informal power-sharing agreement between the different regions and dominant ethnic groups in the state of Andhra Pradesh) and the increasing autonomy of Bodoland (which empowered a sub-state regional minority at the expense of a majority of the local population). For Bhattacharyya, Hausing and Mukherjee these three cases demonstrate why India has at least as much been a failure as a success of ethnic conflict management. In some sense, they also demonstrate the strength of majoritarianism; not only at the level of the Indian center, but also at that of the Indian states. For them therefore, the way in which power has been territorially dispersed hardly reflects and represents the multicultural reality of India on the ground.